

Amended minutes prepared by Kathy Lindsey

MINUTES AMENDED

Policemen's Pension and Trust Relief Fund
Thursday, November 13, 2008
9:00 a.m.

On Thursday, November 13, 2008, at 9:00 a.m. a meeting of the Board of Trustees of the Policemen's Pension and Relief Fund of the City of Little Rock, Arkansas was held in the Sister Cities Conference Room at City Hall.

PRESENT:	Bruce Moore	-Chairman
	Sara Lenehan	-Treasurer
	Farris Hensley	-Secretary
	Mike Lowery	-Member
	Lee Harrod	-Member
	Brad Furlow	-Member
	Albert Miller	-Member

ABSENT: None

Also present were Larry Middleton, Alex Jordan, and Bo Brister of Stephens Capital Management (Financial Consultants for the Fund); John Peace with Dover Dixon Horne Law Firm (Legal Consultants for the Fund); Roger Smith, a Government Relation Lobbyists for the Fund; and Kathy Lindsey, Pension Fund Administrative Technician.

Bruce Moore called the meeting to order at approximately 9:05 a.m., certifying that a quorum of the Board was present, and that the Media had been properly notified in a letter of October 28, 2008 to the Arkansas Democrat-Gazette.

Copies of the September and October Minutes were presented to the Board Members. During the review, Lee Harrod told the Board that he would like to make an amendment on page one of the September minutes. The amendment should read, "Mr. Moore had stated, "that he serves on several Boards, as does other members of the Pension Board, and has never been part of a Board that distributes minutes to the general public or membership prior to the minutes being approved by the Board. The motion was seconded by Sara Lenehan, and it passed unanimously.

Mr. Harrod made a motion for an amendment on page three of the September minutes. The minutes stated that Lee Harrod and Al Miller complained. Mr. Harrod wanted to clarify that they did not complain. The minutes should read, "They brought to the attention of the Board after having received complaints from officers that called them." The motion was seconded by Mr. Miller, and the vote was recorded as: For: Bruce Moore, Lee Harrod, Brad Furlow, Sara Lenehan, Al Miller, and Mike Lowery. Against: Farris Hensley.

No further amendments were requested for the September minutes; therefore, those minutes were approved as amended.

Mrs. Lenehan requested an amendment to the October minutes on the first page in the last paragraph. Mrs. Lenehan stated that Jody Carreiro repeatedly referred to the risk as a "risk of ruin" as

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opposed to “depleting all assets”. Mrs. Lenehan stated that the terminology is stronger when using risk of ruin. Depleting all assets softens the character as to what Mr. Carreiro was conveying.

Mr. Furlow explained that the term risk of ruin does not sound as bad as depleting all assets. He stated that it looks as if we are moving closer to making a verbatim record of the minutes.

After discussion, Farris Hensley made a motion to take Mr. Carreiro’s presentation and type a verbatim transcript of the Board’s discussion on the cash flow study. Brad Furlow seconded the motion and it passed unanimously.

Mrs. Lenehan made a motion also to transcribe the third paragraph on page two regarding the motion she made to rescind the benefit increase. No formal action was taken in regard to this motion.

Mr. Hensley made a motion that the whole discussion be transcribed verbatim. Mr. Furlow seconded the motion and it passed unanimously.

Mr. Hensley made a motion to table the October minutes. Mr. Harrod seconded the motion and it passed unanimously.

Alex Jordan gave an October 2008 financial report, and said that on October 31, 2008, the market value of the total Fund was \$50,640,834.94. Additionally, \$575,053.70 was held in the Metropolitan Bank Checking Account. This represents a decrease in the account balance of (\$4,230,981.19) since September 30, 2008. The component of this change was income of \$100,202.36. There were net contributions/withdrawals of (\$256,644.12). The Funds overall market rate of return for the month of October 2008 was a negative (8.05%), and was negative (16.93%) year-to-date through October 31, 2008. On October 31, 2008, \$25,016,894.22 was allocated to DROP.

Mr. Jordan asked the Board if Stephens Capital Management could have the flexibility to reduce the equity exposure from the current level of 38% as of today’s date, November 13, 2008, to a maximum in the amount of zero and 5%, between today and the end of the year. Mr. Harrod made a motion to approve this request. Mr. Miller seconded the motion and it passed unanimously.

Larry Middleton reported that if the market continues to decline and the Fund continues to pay the rate of return to Drop that has been committed in the past, it could have negative implications for the funding status of the Plan. It is essentially 50% more of a decline. If you lost 20%, the impact to the pension side of the equation is 40%.

John Peace researched rescinding the benefit increase resolution. From a legal standpoint, it takes a simply majority vote to rescind the resolution.

Mrs. Lenehan made the motion to rescind the resolution granting the \$50 increase in light of our fiduciary responsibilities and based on the actuarial advice that Mr. Carreiro gave at the October meeting, stating that with a zero percent of return in the current year, his analyses showed the risk of ruin for the plan was about 28%, with only a 5% loss to the plan for the current year, that risk being 37-38%, and with the advice of our investment counsel our Fund experienced of a loss of 16.93% year-to-date. Mr. Furlow seconded the motion. For: Bruce Moore and Sara Lenehan. Against: Farris Hensley, Brad Furlow, Al Miller, Lee Harrod, Mike Lowery.

Mr. Harrod made a motion to table voting on the increase until December 31, 2009, with an implementation date of January 1, 2008. Mr. Miller seconded the motion. Since the resolution was adopted in May 2008 and the Board may delay this resolution, Mr. Peace stated the resolution needs to

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be revised to clarify the implementation date. The resolution needs to be amended to indicate the effective date would be determined by the Board on or before the December 2009 meeting. Mr. Harrod withdrew his motion, and made a motion to put this item back on the agenda for the December meeting to allow him to contact David Clark and research this issue further. Mr. Hensley seconded the motion and it passed unanimously.

Mrs. Lenehan made a motion to table the procedure for preparing monthly pension minutes and procedure for requesting legal opinions. Mr. Hensley seconded the motion and it passed unanimously.

At approximately 11:30, Mr. Moore excused himself from the meeting to attend a presentation and relinquished the Chair to Mrs. Lenehan.

Mr. Miller excused himself at 11:35.

Roger Smith reported concerning legislative matters. Mr. Smith stated Mr. Peace had reviewed the bills submitted in last month's meetings and approved the language.

Mr. Smith will meet with PRB to recommend a bill that the language be consistent with the State, which is gifts over one hundred dollars will be reported. Currently the Board is to report all gifts received. Mr. Smith plans to have that bill drafted before the December meeting.

Mr. Smith reported that District Judges have an interest in exercising the suspension of driver's license more aggressively.

Mr. Smith reported that the Local Police and Fire Retirement System (LOPFI) Interim Study Committee's report was presented to the Governor. The objectives were problems with all retirement systems and solutions. The recommendation is there should be an incentive to merge with LOPFI, and a COLA be used as the incentive. The focus of this report is, when money is taken out of the premium tax pool, that money will be targeted on old plans. When merged, you are not becoming a LOPFI Plan, you are a PRB Plan. Your benefits are still determined the same. LOPFI takes over the investments, the management of the money, and all administrative issues. The City must sign a contract stating they will guarantee payment for the unfunded portion.

Mr. Peace reported the lawsuit will be presented to the Judge in the near future.

The Attorney General's opinion was issued about three weeks ago but was not sent to Mr. Peace. It was emailed to his office this morning and from his understanding it concurs with his opinion that the term fines and forfeitures does include probation fees. Mr. Peace will email that opinion to the Board Members.

Mr. Peace emailed to the Board Members after the last meeting a form letter about disability. Since he received no comments from the Board regarding the letter, he recommends the letter be mailed to the retirees that are disabled.

Mrs. Lenehan submitted copies of the un-audited balance sheet report year-to-date through October 31, 2008. The loss to the plan year to date is (\$14,707,684). The report indicated that on October 31, 2008, the total account fund balance was approximately \$51,332,148 of which \$25,016,894 was allocated to DROP. The net loss for the month of October was (\$4,547,923).

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Also submitted were copies of the October 2008 expense and legal fee report. Total expenditures excluding benefit related expenses, were \$3,501.11 for the month of October, and \$56,108.24 calendar year through October 31, 2008. Legal fees totaled \$34,143.79 year to date through October 31, 2008.

Mr. Harrod made a motion to approve the financial reports. Mr. Hensley seconded the motion and it passed unanimously.

Mr. Hensley made a motion to approve the retirement of Marty Garrison and Jimmy Evans. Mr. Evans will be divided, per stipulation in the QDRO, with Ms. Evans. To remove Hardy Forrest who passed away on October 15, 2008 from the pension roll, and extend the Boards condolences to his family. To approve the widow pension of Mrs. Carolyn Forrest in the amount of \$1,920.70 and approve the \$6,500 death benefit. Mr. Lowery seconded the motion and it passed unanimously.

The National Institute of Pension Administrators will present a webcast on Year End Distribution Issues and 1099R Reporting. Pension Administrative staff asked the Board if they would be willing to approve one half of the cost of \$375 for Kathy, Lakisha and Sharon to participate in the webcast. Staff will ask Fire Pension Fund to pay the other half. Mr. Furlow made a motion to approve \$187.50 for administrative staff to participate in the webcast. Mr. Lowery seconded the motion. For: Brad Furlow, Mike Lowery, Sara Lenehan, and Farris Hensley. Abstained: Lee Harrod.

An October packet was not mailed out due to the September minutes not being complete. Therefore, Kathy Lindsey did not submit a bill for the month of October. Mrs. Lindsey asked the Board if they would compensate her for transcribing the September minutes at home. Brad Furlow made a motion to pay Kathy the contract price of \$250 for work done away from work. Mike Lowery seconded the motion and it passed unanimously.

Mrs. Lindsey will continue assisting with the minutes during office hours until this issue is resolved. This item will be placed on the December agenda.

Mr. Hensley questioned receiving 1099's for the one hundred dollars received for attending monthly meetings. He does not believe Board Members should receive 1099's. Mr. Hensley passed out a handout on Statute 25-16-903 provided to him by David Clark of PRB regarding stipends. This will be placed on the December Agenda for discussion.

Upon conclusion of Pension Board business, Lee Harrod made a motion to adjourn the meeting. The motion was seconded by Mike Lowery, and it passed unanimously. The meeting adjourned at approximately 12:18 p.m.

Respectfully submitted,

Farris Hensley